

ISLAMIC UNIT LINKED: IS IT PROFITABLE AND FULLY SHARIA COMPLIANCE?

Nur Kholis

Postgraduate Program, Faculty of Islamic Studies,
Islamic University of Indonesia, Yogyakarta.

E-mail: nurkholisyes@gmail.com, <http://nurkholis77.staff.uui.ac.id/>

Abstrak: Unit Link Syariah: Apakah Menguntungkan dan Memenuhi Prinsip Syariah? Minat masyarakat untuk memilih produk *unit link* baik yang syariah maupun konvensional dalam beberapa waktu belakangan ini meningkat signifikan. Hal ini disebabkan oleh beberapa hal seperti *tag line unit link* yang mempesona, investasi sekaligus proteksi. Sepintas, *unit link* seolah menawarkan kemudahan bagi nasabahnya. Di lain sisi, ada berlembar-lembar ketentuan yang kerap kali nasabah malas untuk memahaminya sehingga nasabah sering kali tidak mengetahui biaya terkait *unit link* yang dibelinya. Artikel ini bertujuan untuk mengetahui apakah *Islamic unit link* termasuk investasi yang menguntungkan? Sudahkah sepenuhnya sesuai syariah? Hasil analisis menunjukkan bahwa tidak semua *unit link* yang dilabeli syariah adalah menguntungkan dan sepenuhnya sesuai syariah. Oleh karena itu, investor perlu berhati-hati dalam memilih *unit link* syariah.

Kata kunci: Islamic Unit linked; profitable; Syariah contract; operational mechanism.

Abstract: Islamic Unit Linked: Is It Profitable and Fully Sharia Compliance? Recently the interest of society to choose unit linked Islamic or conventional as an instrument for investment rises significantly. It is maybe because of its impressive tagline, combination between investment and protection. At glance, unit linked provide very easy way to invest. At the same time, customer will receive many pieces of papers describe rules dan regulations that make customer confused and do not understand how much cost must be paid for purchasing unit linked. The objective of this study is to review whether Islamic unit linked is profitable investment? Does the operation of practical Islamic unit link fully comply with sharia rules? Based on analysis conducted, not all Islamic unit link offered is profitable and fully with sharia compliance. Therefore, it is suggested to the investors should consider some aspects before deciding any investment in Islamic unit link.

Keywords: Islamic Unit linked; profitable; Syariah contract; operational mechanism

Introduction

Consumption and investment are related activities. Delayed current consumption can be interpreted as an investment for future consumption and individual consumption to get satisfaction. Investors invest their money to improve its utility in the form of financial welfare. The objective of investment can be stated in both the high return and minimum risk. Risk preferences should be considered in the investment process. This is due to the fact that the funds invested affect the expected returns and risks covered.

Investment is an important activity in human life. It is a method to improve living standards of family to be better in the future. Investment is also useful for dealing with the risks caused

by a disaster that may occur. People who are not prepared to face the risk; they will loss many productive assets for overcoming the risk. Investment is putting money into an asset with the expectation of capital appreciation, dividends, and/or profit sharing or margin earnings.

The proclivity of Indonesian society to invest their money increases significantly recently, especially when they receive investment offers that promising high return. One of the investment product that marketed extensively by provider is a unit linked product, Islamic or not Islamic. This product was marketed attractively. It can not be separated from the fascinating type of unit link product, namely investment and protection at the same time.

Unit linked is a product of insurance companies that combines insurance or protection and investment services as well. It means a customer of unit linked products can get a double benefit, namely insurance protection and investment. Protections offered are various, health insurance or life insurance, but usually it marketed in a package that is more attractive to the public: for example, future savings or insurance for education. This product is also considered flexible because it gives customers the freedom to determine their own needs of protection and investment purpose.

The market opportunity and excellencies in product configuration encouraged many insurance companies to offer Islamic unit linked product. They are: *Takâful* offers *Takâfullink*, Prudential offers PRULink Syariah, BNI Life Insurance offers BLife Investasi Amanah Syariah, Allianz Life Indonesia offers Allisya Protection Plus, Asuransi AIA Indonesia launched its first Islamic unit linked labeled Asya Link, Life Insurance Mega Syariah offers unit linkeded product also and others. Until now, more than 22 companies offering these products.

In other side, there were various complaints and testimonies from people who joined unit linked but finally did not get anything, even the capital is reduced. For example a testimony from Priandoyo Anjar, "Five years I have become a customer of a unit linked, finally based on various considerations I closed my unit linked policy. If it is calculated, I put my money on saving product of bank, without any interest; because of this unit linked I suffer from a loss more than 75% of my saving money".¹ For this reason, lately unit linked always has been a controvertion among independent financial planners and those who market it.

At glance, unit linked provide very easy way to invest. At the same time, customer will receive many pieces of papers describe rules dan regulations that make customer confused and did not understand how many cost must be paid for purchasing unit linked. Customer usually did not

care about the cost in the beginning, but finally they will regret when they know in the future that they did not reach benefit that they imagined.² For this reason, it is very important to study about how the Islamic unit linked operated by the industry to determine whether it is profitable and sharia compliance.

The aims of this study are describing operasional mechanism of Islamic unit linked, especially *Takâfullink* at Life *Takâful* and Prulink Syariah at PT Prudential. *Takâful* was selected because it is the first *takâful* company in Indonesia. Prulink Syariah was selected because it has a market share of 33% unit linked in Indonesia.³

Studies About Islamic Unit Link

There are few studies focusing on Islamic unit linked. The study about Islamic unit linked is limited, meanwhile studies about Islamic insurance are more. One of studies about Islamic unit linked was written by Azman Mohd Noor.⁴ His paper's title is A Syariah Compliance Review On Investment Linked *Takâful* in Malaysia. According to him, the growth in Islamic funds has brought new challenges and opportunities for the financial industry. It's like the conventional insurance industry. *Takâful* is no longer constrained to providing protection, but is now an avenue for investment opportunities. In recent years, the trend has been towards unit-linked products with an emphasis on the investment link which definitely includes the *takâful* industry. *Takâful* operators are offering investment products apart from their core business in providing protection through General and Family *Takâful*. This schemes, especially the investment linked products because of the attractive features (i.e. combination of protection and investment). *Takâful* operator can

² According to Brad M. Barber and Terrance Odean, there are 4 factors why individual investors underperform, namely asymmetric information, overconfidence, sensation seeking, and familiarity. Please read Brad M. Barber and Terrance Odean, *Handbook of the Economic of Finance*. Chapter 22 the Behavior of Individual Investors. Elsevier: 2013, p. 1547-1550.

³ Insurance industry in Indonesia began to the new era, namely era of equality between conventional and Islamic insurance. It started when it launched Undang-undang Number 40, 2014 about insurance.

⁴ Azman Mohd Noor, "A Syariah Compliance Review On Investment Linked *Takâful* in Malaysia", *Islamic Economic Studies*, Vol. 17 No. 1, June, 2009, p. 1-20

¹ <http://priandoyo.wordpress.com/2010/05/05/akhirnya-unit-link-itu-saya-tutup/>, accessed February 5, 2016

charge fair fees for the *tabarru'* portion which can be treated as a non-commercial venture, and as for the investment portions, the operator can either charge a fee as a broker or a manager of investment funds, or share profit with the member investors. He ensures that the operational of unit linked in *takâful* must be Islamic.

Asyraf Wajdi Dusuki et.al. wrote a paper Shariah Parameter for application of *wadi'ah* concept in traditional family *takâful* product.⁵ According to them the *wadi'ah* based *takâful* family product allows various form of guaranteed benefit to be offered to participants in a manner similar to the conventional insurance. However, there are some guidelines should be followed. According to the Global Islamic Finance Report (GIFR), 2011 is year that changes the landscape for all *takâful* players. *Takâful* can provide sense of security for consumers (because of crisis) as investments are asset-based and its principles based on solidarity and sharing of risk and profits. For example, the dynamic principal protected equity strategy is one of the most significant innovations that will certainly have a great impact on *takâful* consumers as well as on *takâful* operator's growth. The main benefit for the customer is that the new technology secures capital growth at maturity by locking in the highest net asset value (NAV) of the strategy measured on a monthly basis during the complete term of the investment. The new technology is used in FWU's family *takâful* investment-linked programmes.⁶

Dyan Ayu Dwi Agustin compared Takâfulink Products based on return and risk at PT Asuransi Takâful Keluarga. She analyzed level of return and risk of Takâfulink Dana Istiqamah (TDI), Takâful link Dana Mizan (TDZ), dan Takâfulink Alia (TA). The result of analysis showed that the best product in return is TA, and the lowest risk among them is TDI.⁷

Meanwhile Taufiqurrahman conducted a research about factors affecting customer *brand switching* from Islamic unit linked to conventional unit linked in Banyuwangi, East Java. This study resulted finding that the main factor affected customer behavior in brand switching was level of investment return and agent's influence. It's mean that they changed their portofolio because of material consideration. However, what peculiar is they moved from Islamic unit linked to non-islamic unit linked.⁸ Siti Muyasarah conducted a research about SWOT Analysis toward Islamic unit linked at PT Asuransi Takâful Keluarga). Her research funding is difference between strength and weakness is 3 point. It's mean that takâfulink placed in quadran I (Positive-Positive).

Nagarajan et.al wrote an article in International Journal of Advanced Research in Management and Social Sciences. They focused on Unit-Linked Insurance Plans (ULIP) by selecting top five Private Insurance Companies in India. The performances of all the products were tested for their dependency on the performance of stock market using the Hypothesis. ROR and Annualized ROR were used as tools for Data Analysis and Correlation with t-Test was used for testing the Hypothesis. From the study it can be concluded that, Reliance Life has good returns for the Investors, and can be further improved. At the same time, company has to understand the product of its competitor, which is performing better.⁹

Primita Anggraeni conducted research about Ruling Investment Activities in Islamic Unit Link. Her research type is a qualitative with library research. This research concludes that the investment concept in the unit link based sharia life insurance is meant as the activity to plant the asset into a form of wealth, called *tabbaru'*, in order to protect and to help other people or certain parties but with certain repayment

⁵ Asyraf Wajdi Dusuki et.al., "Shariah Parameter For Application Of Wadi'ah Concept In Traditional Family Takaful Product", *Advances in Natural and Applied Sciences, Refereed Journal*, 6(8), 1414-1422, 2012.

⁶ Tim Edbiz Consulting Limited, *Global Islamic Finance Report (GIFR)*, (London: Edbiz Consulting Limited, 2011), p. 63

⁷ Ayu Dwi Agustin Dyan, "Komparasi Produk Takafulik Berdasar Tingkat Return dan Risiko pada PT Asuransi Takaful Keluarga", *Skripsi*, STIE Yogyakarta, 2008.

⁸ Taufiqurrahman, "Faktor-Faktor yang Mempengaruhi Brand Switching Peserta Asuransi dari Unit Linked Syariah ke Konvensional di PT Asuransi Allianz Life Indonesia Cabang Banyuwangi", *Skripsi*, STIE Yogyakarta, 2012

⁹ Nagarajan, et.al, A Study on Performance of Unit-Linked Insurance Plans (ULIP) Offered By Indian Private Insurance Companies, *International Journal of Advanced Research in Management and Social Sciences*, ISSN: 2278-6236, Vol. 2, No. 8, 2013

pattern and certain risk as predetermined in the covenant based on syariah principle. Unit Link is often used as the investment instrument. Syariah life insurance is a new type of covenant and it is never made during the age of Islamic *Fiqh* (Jurisprudence). Different opinions of religion leaders are emerging with some supporting and some prohibiting life insurance. Recent life insurance is often provided with unlimited premium, and therefore, life insurance covenant seems always be a merely speculative covenant which contains of gambling and bet.¹⁰

Nur Kholis wrote a paper An Evaluation toward Islamic Unit Linked Operation in Indonesia from Syariah Compliance Perspective: Case Study At Prulink Syariah.¹¹ This paper concluded that operational mechanism of sharia unit linked, especially in Prulink Syariah is combination between investment and protection (insurance) in one product. Protection of this product concentered to insurance scheme and riders based on choice of customer. Investment of this product concentered to an instrument based on unit trust or mutual fund. This work also concluded that redundancy charges to customers with overlapping purposes happened. This condition also contains elements of *al-dzulm* to the customers. It means that Prulink Sharia is less in sharia compliance because it breached *lâ dharâra wa lâ dhirâra* principle in the implementation of contract.

According to Muhammad Syakir Sula,¹² prominent factor of factors influencing customer to join unit linked is marketing. He explains about the Islamic insurance marketing strategy is as follows:

1. Describe how unit linked products can fulfill long term or short term need of income and the benefits that people desired in the future.
2. Setting the price or premi for each product

that can be accepted by potential buyers and can cover expected claims and other costs.

3. Establish the most efficient of distribution system in order to reach potential buyers for the product.
4. Analyzing the market or expected price by the community. This step was taken to ensure that potential buyers can determine to buy the products offered.
5. Determine marketing aid that informed about the product to potential buyers and distributors effectively.

Islamic Unit Linked Concept

Unit linked is an insurance¹³ product that combines protection and investment services as well. This product has a charming tag line, namely investment and protection at the same time. Becoming a customer of a unit linked product, one can get a double benefit, namely insurance protection¹⁴ and investment. Protections offered are health insurance or life insurance with an attractive package, for example, future savings or insurance education. This product was claimed as a flexible portfolio because it gives customers the freedom to determine their own needs of protection and investment.

Islamic unit link, as the name implies, is unit link that Islamic, namely it conforms to Islamic law. Islamic unit link as a combination between Islamic insurance (protection) and Islamic investment means each part also conforms to Islamic law. Islamic insurance

¹³ Assurance and insurance have the same meaning, namely formal guarantee, the action or means of ensuring or making certain, guarantee. Please refer to Shorter Oxford English Dictionary (2002), ed. 5, Oxford: Oxford University Press, p. 136 and p. 1393; Webster's Encyclopedic Unabridged Dictionary of The English Language (1996), New York: Gramercy Books, p. 91 and p. 738

¹⁴ Insurance is a contract whereby one person, called the 'insurer' undertakes in return for the agreed consideration, called 'premium' to pay another person called 'assured/insured' a sum of money or its equivalent on the happening of a specified event. See E R Hardy Ivamy, *General Principles of Insurance Law*, (London: Butterworths, 1993), ed. 6, p. 3. The New Encyclopaedia Britannica, (1985) Chicago, Vol. XXI, p. 678; Americana Corporation, *The Encyclopaedia Americana*, (New York: Americana Corporation, 1985), Vol. 16, p. 181; George E. Redja, *Principles of Risk Management and Insurance*, (Boston: Addison Wesley, 2005), p. 20.

¹⁰ Primita Anggraeni, "Hukum Berinvestasi pada Asuransi Jiwa Syariah Berbasis Unit Link". *Undergraduate thesis*, Universitas Islam Negeri Maulana Malik Ibrahim, 2013

¹¹ Nur Kholis, "An Evaluation toward Islamic Unit Linked Operation In Indonesia From Syariah Compliance Perspective: Case Study At Prulink Syariah", *AICIS (Annual International Conference on Islamic Studies)*, Hotel Gran Senyur Balikpapan Kalimantan Timur, November, 21 – 24, 2014.

¹² Muhammad Syakir Sula, *Asuransi Syariah*, (Jakarta: Gema Insani Press, 2004), p. 67

means insurance that is sharia compliant must necessarily follow the rules of sharia. Islamic insurance also called as *takâful*. *Takâful* is an Arabic word that means “guaranteeing each other”. The *Takâful* contract defines a unique relationship between the *takâful* operators and participants. It requires *Takâful* operators to duly observe fundamental obligations towards participants, particularly in terms of adhering to sharia principles, undertaking fiduciary duties and meeting prudential standards.¹⁵ According to IFSB, *takâful* is derived from an Arabic word that means joint guarantee, whereby a group of participants agree among themselves to support one another jointly for the losses arising from specified risks. In a *takâful* arrangement, the participants contribute a sum of money as a *tabarru'* commitment into a common fund that will be used mutually to assist the members against a specified type of loss or damage.¹⁶

The concept introduced by *takâful* is similar to conventional insurance. Basically, both are financial instruments that assist the unfortunate who have been confronted with financial predicaments. Despite this basic similarity, Islamic scholars have agreed that conventional insurance is not permissible in Islam because it contains elements, which are contradictory to Islamic Sharia. According to sharia law, an insurance contract (like any other contract) is permissible, if it is clear and free from: *Gharâr* or uncertainty in the contractual obligation, *Jahalah* or ignorance regarding financial obligation, *Ribâ* (usury), *Ghabn* (fraud) and *Maysîr* (gambling).¹⁷ Furthermore, an acceptable insurance contract is expected to be based on principles of mutuality and cooperation (*ta'awun*), encompassing the elements of shared responsibility, joint indemnity, common interest and solidarity. The purpose of this “mutual endeavor” is not profits but to uphold the principle of “bear ye one another’s burden”.¹⁸

¹⁵ Bank Negara Malaysia, *Guidelines on Takaful Operational Framework*, (Kuala Lumpur: BNM, 2015), p. 1

¹⁶ Islamic Financial Services Board (IFSB), *Guiding Principles on Governance for Takâful (Islamic Insurance) Undertakings*. Kuala Lumpur: IFSB, 2009, p. 1.

¹⁷ Nabil A. Saleh, *Unlawful Gain and Legitimate Profit in Islamic Law*, (Cambridge: Cambridge University Press, 1986), p. 45

¹⁸ Mehdi Sadeghi, “The evolution of Islamic Insurance – Takaful: a literature survey”, *Insurance Markets and Companies: Analyses and Actuarial Computations*, Volume 1, Issue 2, 2010, p. 102

The holder policy of unit linked pays the premiums regularly for certain period. He/She usually pays monthly, quarterly, or annually. The difference between unit linked and other insurance product is the customer of unit linked pays a premium for two portions: a portion of protection and a portion of investment. The portion for protection will be treated as well as the regular insurance premiums. While the portion of investment will be delivered to investment manager to be managed. Model of investment for this portion is similar to mutual fund or unit trust.¹⁹

Unit linked is an investment product. Investment as a commercial activity shall obey all guidances of Islamic commercial laws. Islam strongly encourages people to do economic activities based on guidances of Islamic commercial laws, for example avoiding goods hoarding, *riba*, etc in order to the economic activities will carry out to improve the economy of the people. In other words, investment is an important thing must be done by all Moslems. The last few years, the proclivity of Moslems community to invest their money in productive economy increase better, especially in the area of investment that accordance with sharia.

Investment can be allocated to riel sector or financial sector. Islamic unit linked is part of financial sector investment. According to Islamic economics point of view, investment is not only about how many material benefits can be obtained through investment activities, but there are several factors that dominate the investment motivation in Islam. First, the investment activities must be motivated by social motivations that help other people to have income by devolving capital to person having an expertise (skills) in business. The instrument for this is *musharaka* or *mudaraba*. Second, the consequences of the zakah obligation, any one owned wealth achieved a certain amount of *nisab* (a limit to fulfill zakah) obligates to pay zakah. This dogma will encourage the owner of wealth to manage it through investments.

¹⁹ Ahmad Gozali, *Learn from the Expert 70 Solusi Keuangan*, (Jakarta: Gema Insani Press, 2008), p. 103.

There are four models that are applied by industry in developing *takâful* contracts. First model is based and *mudhârabah*. The *mudhârabah* model is essentially a basis for sharing profit and loss between the *takâful* operator and the policyholders. The *takâful* company acts as the trustee and manager of the *mudhârabah* fund in return for a share of the surplus on underwriting and a share of profit from investment. Management expenses of the operator shall be borne by the shareholders' fund and not from the *takâful* funds. This model operated in Malaysia.

The second model is based on *wakalah*. *Wakalah* is a contract between the *Takâful* operator and the participant in which the policyholder authorizes the *takâful* operator to manage the fund in return for a fee. This model was formulated by scholars in the Middle East. The third model is combination of both *mudhârabah* and *wakâlah* models. Here the *takâful* agent receives both a share of the profits generated from the investment activities of the *takâful* fund, as well as a predetermined share of the contributions paid by policyholders in the form of *wâkalah* fees. Most *takâful* industry operated in Indonesia applied the third model. Morely, sharia instrument for Islamic unit linked in Indonesia are combination of three Islamic contract, namely *tabarru'*,²⁰ *wakâlah bil ujah*²¹ and *mudhârabah musytarakah*.²²

The fourth, a *takâful* model was applied on *wakalah* and *waqf* fund basis. Abdul Wahab et al.²³ referred to the sharia scholars' expressed concerns regarding the credibility of both approaches. They especially found major flaws in the *mudhârabah* model for risk management, which effectively rendered it inappropriate to use this contract. For this reason, they outlined the

third model, a *wakâlah* with *waqf* fund that seeks to remain within the *wakâlah* framework, while incorporating modifications that may render it more acceptable from a sharia perspective. Under the *waqf* model, agents make an initial contribution to a *waqf* fund by way of *tabarru'*.²⁴ An additional contribution collected from policyholders of the fund helps meet contingencies. Here also the underwriting agent receives a *wakâlah* fee and the surplus funds remaining after settlement of all outstanding claims are distributed to the policy holders. This model is predominantly used in Pakistan.²⁵

Overview of Islamic Unit Link Contract Mechanism

Indonesia adopted the third model of *takâful*, namely combination of both *mudhârabah* and *wakâlah* instruments. Particularly, syariah instrument for Islamic unit linked in Indonesia are combination of three Islamic contracts, namely *tabarru'*, *wakâlah bil ujah* and *mudhârabah musytarakah* must be implemented in the operational mechanism of *takâful* product and incorporated with fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI).

PT. Prudential Indonesia offers two type of Islamic unit linked namely PRULink sharia assurance account (PAA Sharia) and PRULink sharia investor account (PIA Sharia).

1. PRULink Sharia Assurance Account (PAA Sharia)

PRULink sharia assurance account is a unique sharia investment - it provides the flexibility to choose one or a combination of the 3 sharia investment fund options for customer's future financial growth. It is also a linked syariah life insurance product which allows customers the flexibility to change the amount of assurance, the premium to be paid and the payment method that right for customers' personal needs. PRULink sharia assurance account can be tailored to

²⁰ Fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) Number 53 about Akad *Tabarru'* Pada Asuransi & Reasuransi Syariah.

²¹ Fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) Number 52 about Akad *Wâkalah Bil Ujah* Pada Asuransi & Reasuransi Syariah.

²² Please refer to Fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) Number 51 tentang Akad *Mudharabah Musytarakah* Pada Asuransi Syariah.

²³ Abdul Wahab, A., M. Lewis, and M. Kabir Hassan, *Islamic Takaful: Business Models, Shariah Concerns, and Proposed Solutions*, Thunderbird International Business Review, 2007, p. 371-396.

²⁴ "Tabarru" means "donation; gift; contribution". For some Muslim scholars, *Tabarru'* is the main core of the *Takâful* system, making it free from uncertainty and gambling.

²⁵ Mehdi Sadeghi, "The evolution...", p. 103-104. Refer also to Saifur Jafer et.al, *Takaful (Islamic Insurance): Concept, Challenges, and Opportunities*. Milliman Research Report, 2010, p. 15-24.

customers and their family's requirements with optional insurance cover for hospitalisation, accident or critical illness. Customer's family can also be covered with insurance for customer's children, their education and customer's future retirement. Finally, customers have the flexibility to change any or all of these benefits, they are:

- Provides death benefit or benefit for total and permanent disablement equal to the Sum Insured.
- Has withdrawal facility or partial withdrawal of the cash value
- Customers can use premium holiday facility where you are allowed to stop paying the premium during a particular period.
- Customers can choose the type of investment under the risk profile you desire.
- Customers are allowed to make addition to insurance protection with additional insurance.

2. PRULink sharia Investor Account (PIA Sharia)

PRULink Sharia investor account sharia is a single premium unit linked product for customers' current and future financial needs. Customers have the convenience and flexibility at access a number of syariah investment funds and insurance plans to assist customers and their family. Customers can choose one or multiple sharia investments funds to achieve their future goals. A comprehensive protection against death risk or total and permanent disability risk is also provided with this product. Insurance plans can be tailored for the customers and their family including education, children, and retirement.

Benefits provided for this product are:

- Provides death benefit or benefit for total and permanent disablement equal to the Sum Insured plus the Cash Value.
- May choose the type of investment depending on the risk profile you desire.
- Has withdrawal facility or partial withdrawal of the cash value

Takâful offers four types of *takâfulink* product, namely *istiqâmah*, *mîzan*, *'alîa*, and *ahsân*. Those products start from the least risk

to highest risk. Based on original document of policy Prulink Syariah Number 01069883, holder of this policy is WH, and *takâful* policy held by NK, it can be described below.

Table 1.
Allocation of Contributions in Prulink Syariah

Percentage of Portion	Year 1	Year 2	Year 3-5	Year 6 – dst
Portion for investment	20%	20%	85%	100%
Portion for acquisition fee (<i>wakâlah bil ujrah</i>)	80%	80%	15%	0%
Portion for <i>tabarru'</i> and administration fee	Accordance tariff rate Rp 106.528/ month Rp 1.278.336/ year	Accordance with tariff Rp 108.152/ month Rp 1.297.824/ year	Accordance tariff rate	Accordance tariff rate

Source: Original Policy of Prulink Syariah, Number 01069883

Tabel 2.
Allocation of Contributions in Takâfulink

Percentage of Portion	Year 1	Year 2	Year 3-5	Year 6 – dst
Portion for investment	25%	76,25%	96,25%	96,25%
Portion for acquisition fee (<i>wakâlah bil ujrah</i>)	75%	23,75%	-	-
Portion for <i>tabarru'</i> and administration fee	Fixed rate Rp 21.000/ month Rp 252.000/ year	Fixed rate Rp 21.000/ month Rp 252.000/ year	Same rate until the end of contract	Same rate until the end of contract

Source: Original Policy of Takâfulink, Number 04.2009.00351.023

From the summary of the policy above, it can be concluded that Prulink Sharia appointed tariff of *wakâlah bil ujrah* in the first and second year of participation, customers are beared by the cost of acquisition of 80% of the total contributions paid by customers. From the third until the fifth years, customers are beared by the cost of acquisition of 15% of the total contributions paid by customers. It's mean that customers are charged *wâkalah bil ujrah* as acquisition fee from the first year until the fifth year. All acquisition fees will be owned by company. Customer has no right to claim the acquisition fee.

Takâfulink also appointed tariff of *wâkalah bil ujrah* in the first and second year of participation, but it less than Prulink Sharia, namely customers are beared by the cost of acquisition of 75% in the first year and 23, 75% in the second year of the total contributions paid by customers. From the third until the end of contract, customers are free from *wakalah bil ujrah* (acquisition) payment. It's mean that customers are charged *wâkalah bil ujrah* as acquisition fee from the first year until the second year only.

From the summary of the policy above, also seen how much money must be paid by customer for *tabarru'* and administration fee every month. Based on the provisions stated in the policy, amount of *tabarru'* and the administration fee will be different each year, based on the increasing age of the customer that impacted to the risk. In the case of policy being sample above, customer payed Rp 106.528/month in the first year and payed 108.152/month in the second year. It is different with Takâfulink. Customer of Takâfulink paid *tabarru'* fee every month less than customer of Prulink. The tariff of *tabarru'* payment is fixed until the end of contract.

In other hand, there are other costs must be payed by customer of Prulink Sharia explained as follows:

Table 3.
Cost Allocation of PRUsharia

Type of Costs	PIA Syariah	PAA Syariah
Administration fee	Rp 5.000,-	Rp 37.500,- per month
Tabarru' fee (assurance fee)	Taken at the time of payment by deducting the value of the unit	For basic products and riders will be drawn each month and deducted from the value of unit in the future cost.
Switching fee	Rp 100.000,- charged when switching done more than 5 times a year	Rp 100.000,- charged when switching done more than 5 times a year
Investment fee	Rupiah Syariah Equity Fund (RSEF): 1,75% Rupiah Syariah Managed Fund (RSMF): 1,5% Rupiah Syariah Cash&Bond Fund (RSCBF): 1%	

Source: PRUfast start, 2012: 91

The monthly administration fee for PRUlink syariah assurance account is Rp 37.500,. It was

more in ampunt than PRUlink assurance account Rp 27.500, -. It happens because as the operator or manager, the insurance company has a duty and job more, namely not only administrative job, but also job for managing the surplus of *tabarru'*. It can be stated that the fees charged to customers are 3 types, namely: a monthly administration fee, monthly insurance costs/ cost of risk management, and cost of managing *tabarru'* and investment. These costs are deducted from the premium.²⁶

Islamic Unit Link: Is it Profitable?

The concept of Islamic investment is based on the principles of morality and justice, which is in accordance with Islamic law derived from the Qur'an and Hadith and *ijma'* of the Companions, *tabi'in*, *tabi'ât tâbi'in* and scholars. Regarding to the urgency of investment, Prophet Muhammad stated: "God will give blessing to someone who works for good job, spends money in a simple, and allocates some to protect him from the poor and needy (Narrated by Muslim and Ahmad). In another hadith the Prophet SAW said: "Never being a poor who spend his money in the middle of expenditure" (*Muttafaq 'Alaîh*). Those hadiths guide us to have a better life in the future by investing money and spending money in the middle of expenditure. Islamic investment must fulfill all rules regulated by sharia, namely no cruel (justice), lawful (*halâl*), *thhayyib* (good), *maslahat* etc, and avoiding *ribâ*, *maysîr*, and *gharâr*.

Islamic unit linked is a medium of investment designed to obey sharia principles. PRUlink Sharia and Takâfulink are two products of Islamic unit linked offered by PT Prudential and PT Takâful. These products offer multiple benefits, namely insurance benefits and investment benefits. PRUlink Sharia and Takâfulink combine protection products and investment products. Protection is realized in the form of insurance that includes life insurance and riders that can be chosen by the customers. Investment is realized in the form of investment models that similar with sharia mutual fund or unit trust. It means the asset of customer is represented by units based on

²⁶ PRUfast start, 2012, p. 96

amount of funds invested. The value of units is calculated by the method of NAV (Net Asset Value). All fund managed by investment manager.

Risk profile of individu in accepting risk is different. Although public awareness to invest their money grow better recently, they have to understand the characters of investment products and risk profile of the investment products that will be entered well. Without understanding it, instead of developing their capital, it can not run out the remaining missing. Especially also appear lately, labeled sharia and ethical investment products by named amanah and cooperation, then they offer very high return but it is actually just a mode of fraud, for example, has been reported by many news provider.²⁷

Based on previous explanation, Prulink Sharia burdened many kinds of cost must be paid by customers namely: contribution of *tabarru'* and cost of administration must be paid every month, cost of investment, and cost of switching. Whereas cost of acquisition (*wâkalah bil ujah*) is in care of customer for period 5 years. First and second year, cost of acquisition (*wakâlah bil ujah*) is same, namely 80% of total contribution each year, whereas for the third until the fifth is 15% of total contribution each year. It means that the time for paying cost of *wakâlah bil ujah* done by customer is very long. It influences the amount of investment fund owned by customer. And what is more is about the kind of cost must be paid by customer be paid is so various. All those things will make investment fund of customer very small and finally will inflict a financial loss. What must be paid by customers of Takâfulink less than what must be paid by customers of Prulink. It means that *takâful* link more profitable than Prulink Sharia for their customer.

Therefore, customer must examine some important aspects to avoid losses and regret

later on. The loss was often caused by careless of customer and minimum of understanding about the policy. On the other hand, if customer invests his money in a proper unit linkeded, he can obtain optimal gains make him satisfied. To avoid losses in the future and to get the optimal return, there are some tips,²⁸ namely:

1. Company data. Collect data about insurance companies selling unit linked products in Indonesia. Find as much information about this product and company background.
2. Choose a healthy company. After collecting the data and information about unit linked companies, investors can choose the healthiest company. All can be seen through its financial statements.
3. Find out where the company allocates the money for investment, either on Islamic bond, leading stocks, and so on.
4. Avoid payment of premium through debit account, as it can be detrimental. One of them, the opportunity for investors to monitor NAB will be missed.
5. Look for a professional marketing agency and mastering unit linkeded product. This can be known from the identity card (certified or not), work experience, etc.
6. Learn the illustration and benefits offered well. Ask the marketer if you don't understand.
7. Take care with the cost. Note the amount of fees to be charged on products such as monthly administration fees, transaction costs, the cost of premiums, and others. Sometimes there are illustrations of unit linked that do not include these costs, if it happens, investors have to ask sales agents to go into detail.
8. Adjust with investor's financial condition, in order to investors always able to pay the premiums.

In addition, it should be noted that there are many exceptions in the policy of unit linked. Investors should allocate the time to read the provisions of unit linked policy. Do not believe all information provided by an agent. It is necessary

²⁷ Invesment package 1 Amanah by Konsorsium Andalas Mandiri recruited more tha 13.000 investor, finally it is a true money game. <http://m.kontan.co.id/news/13.000-nasabah-tertipu-investasi-bodong-amanah-i>, accessed February 3, 2016. Other case, in the name of cooperation, namely Koperasi Langit Biru, it recruited more than 125.000 customers with total fund collected more than 6 trilliun, finally it is also money game and fraud investment. <http://m.kontan.co.id/news/skandal-koperasi-langit-baru-mencapai-rp-6-triliun>, accessed February 3, 2016.

²⁸ <http://www.reksadanasyariah.net>, accessed June 12, 2015

to anticipate the misinterpretation or lack of information from the agent.

Islamic Unit Link: Does it Comply Sharia Rules?

PRULink Sharia operated by applying two contract, *wakâlah bil ujrah* and *tabarru'*. *Mudhârabah musytarakah* as an instrument that is required by fatwa of DSN MUI No. 51 is not addressed in the policy of PRULink Sharia. Takâfulink operated by applying three contracts: *tabarru'*, *wakâlah bil ujrah*, and *mudhârabah musytarakah*. Therefore, it is needed an analysis about the operation of PRULink Sharia from sharia compliance perspective.

Based on the previous description, the period of *wakâlah bil ujrah* payment is for 5 (five) years in Prulink Sharia. The first and second year, customers are beared by the cost of acquisition of 80% of the total contributions paid by customers. From the third until the fifth years, customers are beared by the cost of acquisition of 15% of the total contributions paid by customers. It's mean that customers are charged *wakâlah bil ujrah* as acquisition fee from the first year until the fifth year. It is very long time. All acquisition fees will be owned by company. Customer has no right to claim the acquisition fee.

What happen in Prulink Syariah, if it compared to other companies (for example Takâfulink), we find that Takâfulink only charge to customers for 2 years, the first year is 75%, and the secon year is 15% (Policy, No. 04.2009.00351.023). It was very different. The impact of long period of payment and amount of payment in Prulink Sharia will result in a lack of investment funds owned by the customer. This condition will inflict a financial loss addressed to the customer. Then, the lack of investment fund will certainly influence the potential revenue to be obtained.

The question must be analyzed in detail is what for the money resulted from payment of acquisition cost in the long time duration (5 years)? In the dictionary, the meaning of the cost of acquisition is the cost of gain or cost of income. This meaning implies that logically cost of acquisition should not be reached that amount of money and that period. Based on information

from the agent, cost of acquisition is used to fare cost of marketing of the company in the shape of commissions paid to agents who can invite other people to become customers of the unitlink.²⁹ The commission will be acquired by an agent for 5 years. It is similar to the system of MLM (Multi level Marketing), who join the agency earlier; the greater passive income will be earned.

Based on this fact, charging acquisition cost for 5 years contains elements of *al-dzulm* the customers, because customers of unit-linked pay something that exceeds the reasonable cost and also they are beared cost that is not their responsibility, namely cost of marketing of the company. In this regard, marketing of the company must be part of the cost provided by the company, should not be charged to the customers of unit-linked. Implication of this condition will produce an activities prohibited by sharia, namely taking rights of others unlawfully.

Takâfulink separated *tabarru'* cost and administration cost in different account. Meanwhile, Prulink Syariah combined *tabarru'* costs and administration fee in one account. In this case, according to fiqh muamalah perspective, *gharar* accrues in this contract, because *tabarru'* is for mutual help among the customers, and administrative fee is means income for company or part of the company's revenue. There is no clear information how much portion for *tabarru'* and how much portion for administrative fee. This condition imply *gharâr* that prohibited by Islamic commercial law. This condition opposed fatwa DSN MUI Number 53.³⁰ It also opposed fatwa Number 21 DSN MUI that regulated fund of *tabarru'* must be separated from investment fund and administrative fee.³¹

On the other hand, customer also is imposed to pay administration fee Rp 37,500, - per month,

²⁹ Interview with some customers and marketers.

³⁰ Fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) Number 53 about Akad *Tabarru'* Pada Asuransi & Reasuransi Syariah.

³¹ Fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) Number 21 about Pedoman Umum Asuransi Syariah. Please refer Dewan Syari'ah Nasional MUI dan Bank Indonesia, *Himpunan Fatwa Dewan Syari'ah Nasional MUI*. Edisi Revisi Tahun 2006, (Jakarta: CV Gaung Persada, 2006).

the cost of switching, the cost of investment and risk management 50% of *tabarru'*. Whereas customers also had charged the acquisition cost 80% of the total contribution in the first and the second year, and 15% in the third until the fifth. It must be questioned why the company imposed many fees and cost intersect. In this case, it is clear that redundancy charges to customers with overlapping purposes happened. This condition has the impact customer's amount of loss will be greater. It also indicates injustice mechanism.

Conclusions

Firstly, Prulink Sharia burdened many kinds of cost must be paid by customers more and longer than takâfulink. It influences the amount of investment fund owned by customer. All those things will make investment fund of customer very small and finally will inflict a financial loss. What must be paid by customers of Takâfulink less than what must be paid by customers of Prulink. It means that Takâfulink more profitable than Prulink Sharia for their customer.

Secondly, PRULink Sharia operated by applying two contract, *wakâlah bil ujah* and *tabarru'*. *Mudhârabah musytarakah* as an instrument that is required by fatwa of DSN MUI No. 51 is not addressed in the policy of PRULink Sharia. Takâfulink operated by applying three contracts: *tabarru'*, *wakâlah bil ujah*, and *mudhârabah musytarakah*. Prulink Sharia engaged in charging acquisition cost for a long time that contains elements of *al-dzulm* to the customers. In other hand, redundancy charges to customers with overlapping purposes happened. This condition also contains elements of *al-dzulm* the customers. Customers will suffer a financial loss. In this case, Prulink Sharia engaged in injustice mechanism of business that caused less in sharia compliance.

References

- Americana Corporation, *the Encyclopaedia Americana*, New York: Americana Corporation, 1958, Vol. 16
- Anggraeni, Primita, "Hukum Berinvestasi Pada Asuransi Jiwa Syariah Berbasis Unit Link". Undergraduate thesis, Universitas Islam Negeri Maulana Malik Ibrahim, 2013
- Bank Negara Malaysia, *Guidelines on Takâful Operational Framework*, Kuala Lumpur: BNM, 2015
- Barber, Brad M. and Terrance Odean, *Handbook of the Economic of Finance*. Chapter 22 The Behavior of Individual Investors. Elsevier: 2013
- Dusuki, Asyraf Wajdi et.al. "Shariah Parameter For Application Of Wadiah Concept In Traditional Family Takâful Product", *Advances in Natural and Applied Sciences. Refereed Journal*, 6(8), 1414-1422, 2012.
- Dyan, Ayu Dwi Agustin, "Komparasi Produk Takâfulink Berdasar Tingkat Return dan Risiko pada PT Asuransi Takâful Keluarga", *Skripsi*, STIE Yogyakarta, 2008.
- Encyclopaedia of Islamic Banking and Insurance*, London: Institute of Islamic Banking and Insurance, 1995.
- Fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) No. 51 tentang Akad Mudhârabah Musytarakah Pada Asuransi Syariah.
- Fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) No. 52 tentang Akad *Wâkalah Bil Ujah* Pada Asuransi & Reasuransi Syariah
- Fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) No. 53 tentang Akad *Tabarru'* Pada Asuransi & Reasuransi Syariah.
- Fatwa Dewan Syariah Nasional Majelis Ulama Indonesia (DSN MUI) No. 21 tentang Pedoman Umum Asuransi Syariah
- Gozali, Ahmad, *Learn from the Expert 70 Solusi Keuangan*, Jakarta: Gema Insani Press, 2008.
- <http://m.kontan.co.id/news/13.000-nasabah-tertipu-investasi-bodong-amanah-i>, accessed February 3, 2016. <http://m.kontan.co.id/news/skandal-koperasi-langit-baru-mencapai-rp-6-triliun>, accessed February 3, 2016.
- <http://priandoyo.wordpress.com/2010/05/05/akhirnya-unit-link-itu-saya-tutup/>, accessed February 5, 2016
- <http://republika.co.id/unitlink-bikin-untung-atau-buntung-1-082448082.html>, diakses 5 Februari 2016
- Islamic Financial Services Board (IFSB), *Guiding Principles on Governance for Takâful (Islamic Insurance) Undertakings*, Kuala Lumpur: IFSB, 2009.

- Ivamy, E R Hardy, *General Principles of Insurance Law*, London: Butterworths, 1993, ed. 6
- Jafer, Safder et.al, *Takâful (Islamic Insurance): Concept, Challenges, and Opportunities*. Milliman Research Report, 2010
- Nagarajan, et.al, A Study on Performance of Unit-Linked Insurance Plans (ULIP) Offered By Indian Private Insurance Companies, *International Journal of Advanced Research in Management and Social Sciences*, ISSN: 2278-6236, Vol. 2, No. 8, 2013
- Noor, Azman Mohd, "A Syariah Compliance Review on Investment Linked Takâful in Malaysia", *Islamic Economic Studies*, Vol. 17 No. 1, June, 2009
- Kholis, Nur, "An Evaluation toward Islamic Unit Linked Operation in Indonesia from Syariah Compliance Perspective: Case Study at Prulink Syariah", *AICIS (Annual International Conference on Islamic Studies)*, Hotel Gran Senyur Balikpapan Kalimantan Timur, November, 21 – 24, 2014.
- PRUfast start, 2012
- Redja, George E., *Principles of Risk Management and Insurance*, Boston: Addison Wesley, 2005.
- Sadeghi, Mehdi, "The evolution of Islamic Insurance – Takâful: a literature survey", *Insurance Markets and Companies: Analyses and Actuarial Computations*, Volume 1, Issue 2, 2010
- Saleh, Nabil A., *Unlawful Gain and Legitimate Profit in Islamic Law*, Cambridge: Cambridge University Press, 1986.
- Shorter Oxford English Dictionary*, ed. 5, Oxford: Oxford University Press, 2002.
- Sula, Muhammad Syakir, *Asuransi Syariah Jakarta*, Gema Insani Press, 2004.
- Sweet and Maxweel Asia, 2003.
- Taufiqurrahman, "Faktor-Faktor yang Mempengaruhi Brand Switching Peserta Asuransi dari Unit linked Syariah ke Konvensional di PT Asuransi Allianz Life Indonesia Cabang Banyuwangi", *Skripsi*, STIE Yogyakarta, 2012
- The New Encyclopaedia Britannica, 1985 Chicago, Vol. XXI, p. 678
- Tim Edbiz Consulting Limited, *Global Islamic Finance Report (GIFR)*, London: Edbiz Consulting Limited, 2011.
- Undang-undang Republik Indonesia Number 40, 2014 about insurance.
- Wahab, Abdul, A., M. Lewis, and M. Kabir Hassan, *Islamic Takâful: Business Models, Shariah Concerns, and Proposed Solutions*, Thunderbird International Business Review, 2007